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BEFORE THE ARIZONA CORPORATION COMMISSION

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JIM IRVIN
COMMISSIONER-CHAIRMAN
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CARL J. KUNASEK
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IN THE MATTER OF THE COMPLETION IN) DOCKET NO. U-0000-94-165
THE PROVISION OF ELECTRIC SERVICES)
THROUGHOUT THE STATE OF ARIZONA) NOTICE OF FILING

Calpine Corporation ("Calpine") hereby provides its Notice of Filing its Comments on Staff's First Draft of Proposed Revisions of the Retail Electric Competition Rules (R14-2-1681, *et al.*). Calpine anticipates making additional comments on these Rules.

DATED this 6th day of July, 1998.

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ORIGINAL and ten copies of the foregoing Notice and Comments were filed this 6th day of July, 1998 to:

Docket Control
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1200 West Washington Street
Phoenix, Arizona 85007

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Arizona Corporation Commission

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6 **COPIES of the foregoing Notice and Comments**
7 **were *hand-delivered* at the Arizona Corporation**
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DOCUMENT CONTROL

IN THE MATTER OF THE COMPLETION IN)
THE PROVISION OF ELECTRIC SERVICES)
THROUGHOUT THE STATE OF ARIZONA)

DOCKET NO. U-0000-94-165

CALPINE'S COMMENTS ON
STAFF'S 1ST DRAFT OF
REVISIONS OF THE RETAIL
ELECTRIC COMPETITION
RULES (R-14-2-1601, et al.)

Calpine Corporation ("Calpine") submits the following comments and recommendations.

Background:

Calpine is a supplier of electric generation. Calpine, which was founded in 1984 and is based in San Jose, California, owns interest in and operates more than 2,100 megawatts (Mw) of clean power generated across America, with an additional 300 Mw under construction and 1,900 Mw under development. Calpine provides electricity and thermal energy to customers in the United States and selected international markets.

Calpine wishes to present the unique perspective of a generation supplier which is not an Affected Utility. A generation supplier should have the flexibility of negotiating terms and conditions that are mutually agreed upon between the willing supplier and a large willing buyer.

Rules for Bilateral Transactions with Large Customers:

Consumer protection and an information disclosure label may be necessary for residential and perhaps for small commercial operations. Many of their electrical demands may be standardized and many small customers may not have the time or knowledge to make informed choices without the use of labels.

Other transactions, such as with large commercial and industrial customers, will be through a bilateral contract negotiated between the generation supplier and the large customer (and its staff and consultants). Each large customer will have a unique demand schedule and

1 the need for specialized power demands and services. The concepts of disclosing four levels of
2 usage and projecting average prices are not appropriate for these sophisticated arms-length
3 transactions between the generator company and large power users. The requirement of
4 disclosing proprietary information, through a labeling process, will likely discourage generation
5 suppliers from bidding and, in turn, hamper the creation of a robust competitive generation
6 market.

7 The Rules do not define a residential, commercial or industrial customer. The Rules
8 explicitly and implicitly recognize that large customers are those with peak loads of 1 megawatt
9 or more. Generation suppliers should be exempt from the labeling requirements in R14-2-1618
10 if the customer has a peak demand load or self-aggregates to a peak load of 1 megawatt or
11 greater.

12 The terms of service will be individually negotiated between a generation provider and
13 a large customer. Furthermore, the information on consumer rights and the 3-day recession
14 right, as contained in R14-2-1618.F.1.h, are not applicable to a bilateral contract between a
15 large customer and the generation supplier. Large customers have the expertise to compare
16 options and solicit proposals.

17 Calpine proposes the following addition as a new subsection J to Rule 14-2-1618:

18 **J. Exemption as to Large Customers: Any Load-serving Entity**
19 **that offers a bilateral contract to a customer with peak demand**
20 **load of 1 Mw or greater or to a customer who has a self-**
21 **aggregated peak load of 1 Mw or greater, with individual peak**
22 **load demands of 40 Kw or greater aggregated into a combined**
23 **load of 1 Mw or greater, shall be exempt from the provisions**
24 **of R14-2-1618.**

25 **Conclusion:**

26 Calpine urges that its concerns be given careful consideration and the proposed addition
27 be included in the revised draft of the Rules.
28

1 DATED this 6th day of July, 1998.

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